

BANK OF BOTSWANA

BANKING SUPERVISION DEPARTMENT



**DISCLOSURE FRAMEWORK FOR
DEPOSIT AND LENDING INTEREST
RATES**

Issue date: November 1, 2022

BANK OF BOTSWANA

REGULATORY GUIDELINE

Ref: RG 01/11/2022

TITLE:	DISCLOSURE FRAMEWORK FOR DEPOSIT AND LENDING INTEREST RATES
PURPOSE:	To Replace Regulatory Guideline No. RG 01/09/2009 with Guideline Ref: RG 01/11/2022 on Deposit and Lending Interest Rates
CIRCULATION:	Chief Executive Officers of Licensed Banking Institutions
EFFECTIVE DATE:	01/11/2022

Pursuant to Section 41 of the Bank of Botswana Act (Cap. 55:01), licensed banks and similar banking institutions are informed that **Regulatory Guideline No. RG 01/09/2009** is amended as follows:

- (a) The requirement for licensed banks and similar banking institutions to pay interest rate of at least or equivalent to 350 basis points below the prevailing Bank Rate on the 91-day deposit accounts is revoked. The amendment takes into account economic and financial developments since the Regulatory Guideline was issued in 2009, including the most recent reforms to monetary operations, which among others, replaced the hitherto reference/anchor rate (the Bank Rate) with the Monetary Policy Rate (MoPR).
- (b) In line with the principle and objective of promotion of transparent market practices by banks and similar financial institutions, as well as in the interest of public information, the minimum set of standards of practice and procedures for disclosure and transparency in the institutions' dealing with customers, as articulated in Regulatory Guideline No. RG 01/09/2009, are retained. Consequently, banks continue to be required to publish in at least two newspapers widely circulating in Botswana and in their websites, the deposit and lending rates within the first week of each month. The Disclosure Framework is as detailed in the Annex – **RG 01/11/2022**.

DISCLOSURE FRAMEWORK FOR DEPOSIT AND LENDING INTEREST RATES

1. Introduction

- 1.1 As a general guideline and to promote saving, the amount of fees and other transaction charges for opening and maintenance of deposit accounts, should not be onerous. Notwithstanding, each bank is permitted to price its various deposit products as it deems appropriate to attract deposits and/or maintain sound asset-liability structures.
- 1.2 The Bank of Botswana closely monitors the level of deposit rates in the market and their associated impact on depositor behaviour. Each bank is required to take a number of supplementary measures aimed at promoting public awareness of deposit product pricing, in addition to fulfilling the minimum public disclosure requirements and statutory reporting arrangements prescribed by the Bank from time to time.
- 1.3 Accordingly, under the new Guideline, in the interest of good market conduct and enhancement of disclosure and transparency in pricing banking products and services, banks are required to disclose to prospective borrowers the costs of finance relating to every loan facility. In that regard, banks are required to ensure the material information disclosed to prospective borrowers include the correct annual percentage rate (APR), the interest rate to be charged and monthly instalment to be paid before the consummation of a loan contract so that any borrower has accurate information about the cost of borrowing and their potential repayment obligation. Transparency in APRs and other material information helps potential borrowers to make informed decisions before signing up for debt facilities. Each credit facility must include a schedule of all relevant transaction charges, fees and applicable interest, to be duly signed for by the customer and the bank.

2. Minimum Public Disclosure and Statutory Reporting Requirements

- 2.1 To facilitate effective monitoring, each bank is required to produce two reports. The first report, to be targeted at the general public, should show all Pula and foreign currency denominated deposit facilities. The purpose of this public disclosure report is to enable the public to effectively compare price offerings by various banks and make informed choices. Banks are required to publish deposit and lending rates in at least two newspapers widely circulating in Botswana and in their websites, within the first week of each month. A template of the public report is shown in Tables I and II in the Appendix.
- 2.2 In addition to the above, banks are required to produce a quarterly report showing the actual deposit and lending rates on key types of deposit and lending products for public information.

2.3 For statutory reporting purposes, each bank is required to submit a monthly report to the Bank showing deposit and lending rates offered on the deposit and lending products, including the respective deposits values for each category as prescribed in the monthly statutory return.

3. Display of Deposits Rates in Banking Halls and other Places of Business

3.1 A bank is required to display, in a prominent place in the banking hall and other places of business of the bank, the lending and deposit rates on products offered. Banks are also required to publish the deposit and lending rates on products offered; its prime lending rate in at least two newspapers widely circulating in Botswana and in the institution's websites.

4. Conclusion

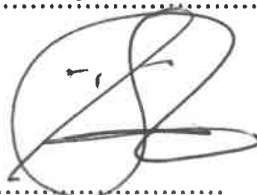
4.1 These minimum disclosure and reporting guidelines complement existing statutory reporting requirements and are not intended to end the banks' responsibility to comply with the minimum requirements set out in the Disclosure of Bank Charges – G.N. No. 41 of 2001.

4.2 The Bank expects every bank to take appropriate steps to communicate these changes to the public and minimise any inconvenience to customers.

Effective Date:

The above disclosure format and reporting requirements shall apply with effect from November 1, 2022.

Issued this 1st day of November 2022



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DIRECTOR
BANKING SUPERVISION DEPARTMENT

APPENDIX

Table I – Public Disclosure on Deposit Rates Template

Type of Deposit Account	Nominal Interest Rate ¹ (%)	Actual Interest Rate ² (%)	Minimum Opening Balance
	(Lowest – Highest)	(Lowest – Highest)	(P' 000)
Current			
Call			
Savings			
3 months			
6 months			
12 months			
24 months			
Over 24 months			
Prime Lending Rate			

1 – Nominal Interest Rate: this is real interest rate + inflation rate.

2 – Average Effective Interest Rate: this is the actual interest rate which can be earned on an asset over a given period of time.

Table II - Public Disclosure on Lending Rates Template

Lending Rates	Nominal Interest Rate ¹ (%)	Average Effective Interest Rate ² (%)
MoPR		
Prime Lending Rate		
Mortgage Facility		
Overdraft Facility (Revolving credit lines)		
Credit Card		
Lease Loans		
Unsecured Personal Loans (excluding overdrafts, mortgage and credit cards)		
Other Long-Term Loans		

1 – Nominal Interest Rate: this is real interest rate + inflation rate.

2 – Average Effective Interest Rate: this is the actual interest rate which is payable on a liability over a given period of time.